NEWS

Wage hike prompts rise in menu prices

(Continued from page 1)
dent of Scott's Food Services Inc., a 185-unit Kentucky Fried Chicken franchisee based in Austin, Texas. "The solution is to get better efficiency and productivity from your present workers. But when it goes up next year, it should be very interesting."

Raba was referring to April 1, 1991, when the minimum wage will increase an additional 12 percent, to $4.25 per hour.

Industry analysts pointed out that many foodservice operations were already paying higher than the $3.80 minimum wage, and that the actual backlash to the wage increase has almost been anticlimactic compared with the industry's vehement lobbying against the increase.

"So far, the minimum wage has really been a nonevent," said Joseph Doyle, who tracks the foodservice industry for the New York firm of Smith Barney. "I haven't heard many of the top operators really complaining."

Said one fast-food operator whose crew averages more than$5 an hour: "The increase is no big deal. If you're foolish enough to pay peanuts to begin with, then don't complain when you get monkeys."

Operators' reaction as a result of minimum-wage increase
(in percentages)

	Yes (have done)	Yes (plan to do)	No	No Answer
Increase menu prices	56%	28%	14%	2%
Reduce number of employee hours worked	44	18	28	10
Reduce number of employees	25	17	41	17
Add labor-saving equipment	12	26	38	24
Cut hours of operation	8	7	59	26
Cut employee benefits	14	14	49	23

Source: National Restaurant Association, 1990 minimum-wage survey. Based on 746 respondents where the minimum wage was not $3.80 or higher before April 1, 1990.

"What you might get as a result of the increase is a ripple effect," opined Jim Parish, chief financial officer for Dallas-based Chili's Inc., operator of about 200 casual-themed dinner houses. "If a busboy or dishwasher making $3.35 per hour suddenly jumps to $3.80, a bartender or line cook may say, 'Hey, he just got a raise; I feel I deserve an increase, too.'"

Parish added that restaurant suppliers and distributors who also have to abide by the increased wage levels may eventually pass the cost on to customers. He said that although Chili's raised its menu prices in April, the increase was just 2 percent.

In the most recent gauge of menu price inflation, the U.S. Labor Department's Consumer Price Index for August showed a 4.8-percent increase in menu prices from the figure for the year-ago month.

Carl Chandler, chief financial officer for RPM Pizza Inc., a 370-unit Domino's franchisee in Gulfport, Miss., said the wage increase affected about 140 stores scattered throughout the Gulf states.

"We did raise the wages down in that segment," Chandler said. "But, fortunately, we were running a takeout promotion in those units at the same time. It worked so well that we experienced double-digit sales increases, which canceled out the increased salaries."

Economist Marco Babic of Evans Economics, a Washington, D.C.-based firm, said the combination of inflation and the backlash from the Iraqi situation could impact menu prices to a greater degree than the wage increase.

"A substantial increase in energy prices would probably affect restaurants a lot more than paying employees another 45 cents an hour more," Babic explained. "But what may happen as a result of the wage increase is a drop-off in seasonal and holiday hiring, especially in fast food."

Roy Nassau, director of food and beverage for the Orlando World Marriott Hotel, a 1,500-room property in Orlando, Fla., indicated that the hotel recently held a pricing strategy for 1991 and that, in essence, no menu price increases are planned. In fact, Nassau said there may be isolated instances where menu prices would actually decrease.

"We're in a service industry," he added. "And reducing your staff numbers or employee hours is not the way to maintain a quality service level."

Marriott cuts costs due to profit plunge, credit crunch

(Continued from page 14)
$50 million this year.

An additional $300 million will come from the pending sale of the San Francisco Marriott to an unnamed buyer. The hotel, which opened the day of the San Francisco earthquake, is a 1,500-room, 39-story building located in the South of Market area. Rockwell said that the rest of the money will come from two partnerships in Japan.

Fears in the lodging industry are running high after a year of flat occupancy rates — which has kept room rates from going up — weak real-estate markets across the country; an unstable banking market and subsequent "credit crunch"; worries that an impending recession, a result of skyrocketing oil prices, will keep consumers from traveling; and the recent Chapter 11 credit protection filing by Prime Motor Inns.

The weak real-estate market, rise in oil prices, unstable banking market and subsequent credit crunch have caused flat occupancy rates, and the lodging industry fears that an impending recession may keep consumers from traveling in the future.

> "Marriott is borrowing and building more carefully."
> — Mueller

The recent Chapter 11 protection filing by Prime Motor Inns, a Fairfield, N.J., company, which franchised such lodging chains as Ramada Inns, Rodeway Inns and Howard Johnson, also has operators worried.

"Marriott is borrowing and building more carefully," said Mike Mueller, an analyst at Montgomery Securities in San Francisco. "They used to build with their own money and then tried to sell the properties."

In a prepared statement, chief financial officer William Shaw said that Marriott would be prefinancing development projects with third parties, franchising or entering in joint ventures, instead of securing capital on their own.

"We believe that the market is cyclical," Souers said. "And we want to be ready to move when the cycle returns."

When asked about chairman J.W. Marriott Jr.'s goal of Marriott's doubling its amount of hotels to 1,000 by the mid-1990s (it currently has 613), Souers replied, "We'll have to see."

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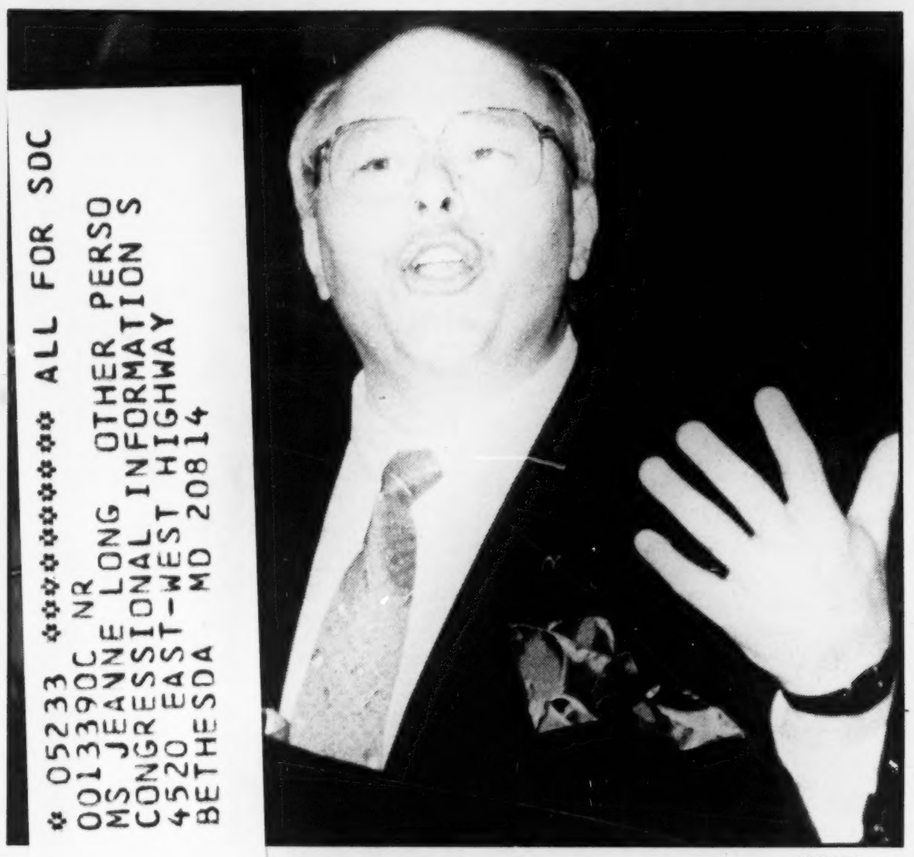
MUFSO: Strategies for change

Top execs grapple with rapid-fire consumer shifts, looming economic slowdown



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NRN Photos

Rensi blasts industry critics.

by Paul Frumkin

LOS ANGELES — An all-star team of foodservice executives meeting at Nation's Restaurant News' 31st annual Multi-Unit Food Service Operators conference sketched out a new set of blueprints that will enable management to face accelerating consumer changes.

At the same time, the executives warned that current margin contractions are bound to continue into the early part of the decade as the economy slides into an almost certain recession.

And, in one of the most talked-about keynote addresses of the four-day conference, Edward Rensi, president and chief operating officer of the Oak Brook, Ill.-based McDonald's USA, called for a vigorous counteroffensive from the industry against what he characterized as environmental and nutritional fanatics.

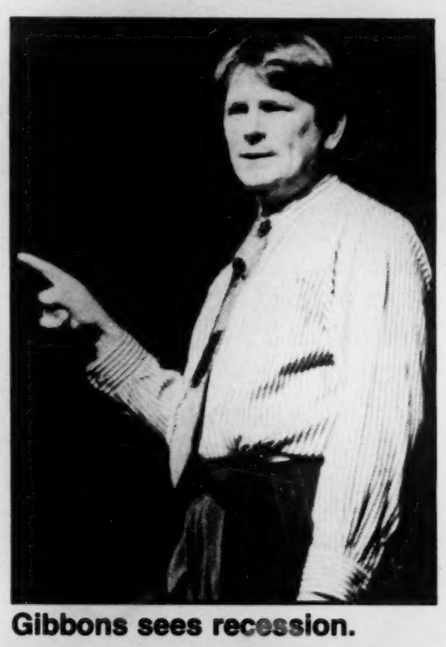
"We have to draw the line somewhere," Rensi declared to his audience of 1,000 foodservice executives. "We cannot allow ourselves to be held hostage by self-appointed saviors who are just trying to scare the American public. Whenever we're silent, we aid their cause."

But most of the voices raised at this year's MUFSO centered on concerns about an economy apparently headed for recession and a consumer market that is becoming increasingly finicky.

"There's a head wind springing up in the 1990s," Miami-based Burger King chief executive Barry Gibbons told the crowd. "I'm not hearing any more debates about whether we are going to have a recession. I'm only hearing debates about the depth of the recession."

Norman Brinker, chief executive of the Dallas-based Chili's, agreed, saying: "We're either in a recession or about to be in one. We're going to be seeing some margin problems."

(See MUFSO, page 7)



Gibbons sees recession.

Farquharson named Operator of the Year

by Alan Liddle

LOS ANGELES — John R. Farquharson of ARA Services, who successfully led his divisional "army" through the mine field of financial constraints after a management buyout in 1984, was named 1990 Operator of the Year.

Farquharson is president of Philadelphia-based ARA Services Inc.'s ARASERVE contract foodservice division, which generates annual revenues of more than $2 billion. He was named Operator of the Year at a banquet held in conjunction with Nation's Restaurant News' Multi-Unit Food Service Operators conference at the Century Plaza Hotel.

The Operator of the Year is named from six Golden Chain award recipients selected by Nation's Restaurant News.

The other Golden Chain winners were Charles "Don" Clawson, vice president of food and beverage, Radisson Hotels International, Minnetonka, Minn.; Thomas Gregory, president and chief executive officer, Sizzler Restaurants International Inc., Los Angeles; John E. Martin, president and chief executive officer, Taco Bell Corp.; Steve Nygren, president, Peasant Restaurants Inc., Atlanta; and William Prather, president and chief executive, Hardee's Food Systems Inc., Rocky Mount, N.C.

In bestowing the award, James C. Doherty, Nation's Restaurant News publisher, said of Farquharson: "He truly

(See FARQUHARSON, page 45)

Farquharson in the spotlight.

Farquharson for fun

Page 45

Little Caesars wins big at EAT/EAR awards

by Peter Romeo

LOS ANGELES — Little Caesars executives toted home a trophy-caseful of prizes from the foodservice advertising contest that culminated in an awards ceremony during the Multi-Unit Food Service Operators Conference here.

Other winners of 1990 EAT (Excellence in Advertising on Television) and EAR (Excellence in Advertising on Radio) awards included Carl's Jr., Taco Bell, El Chico, El Pollo Loco and Stuart Ander-

(See EAT/EAR, page 4)

Lt. Gov. McCarthy, right, presents Pioneer of the Year Award to California Restaurant Association president Burke.

INSIDE

New incentives to spur employees
Charles Bernstein/Page 21

Vintage years lie ahead for selling more wine
Focus/Page 25

Calif. named Pioneer for trendsetting style

by Richard Martin

LOS ANGELES — California, whose restaurateurs are globally recognized for their innovations and creativity, was named Pioneer of the Year at Nation's Restaurant News' 31st annual Multi-Unit Food Service Operators conference here.

The first institution or organization to win the prestigious award, California joins the ranks of such past Pioneer honorees as Col. Harland Sanders, the first to be desig-

(See CALIFORNIA, page 4)

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Vol. 24, No. 41 October 15, 1990

NEWS BRIEFS

Congress limits kids' TV advertising

WASHINGTON — In a move that could raise restaurant chains' advertising costs, Congress has approved legislation that reduces the amount of advertising permitted to air during children's programs.

The House recently joined the Senate in capping the amount of ad time at 10.5 minutes per hour on weekends, when most children's programming is shown, and 12 minutes on weekdays. At present, 11 to 14 minutes of advertising is usually aired during an hour-long show aimed at children.

Opponents have voiced fears that the curtailment of advertising time on kids' shows will raise the price of what time is still allowed.

Food poisoning spurs probe, lawsuits

CHICAGO — The Chicago and the Illinois departments of public health are investigating the origin of salmonella enteritidis that caused food poisoning symptoms in some 350 conventioneers attending a True Value Hardware Store buying session that included banquet meals.

Some of the victims have filed a class-action lawsuit against Hyatt, seeking damages of $15,000 on behalf of TrueValue employees. The Hyatt banquet served 1,900 diners, of which an estimated 350 reported suffering fever, nausea and diarrhea.

The foods were prepared in the kitchens of the Hyatt Regency Chicago Hotel; Restauronics, a West Side caterer subcontracted by Hyatt; and Cotter & Co., True Value's headquarters. The Chicago Health Department has found no non-compliance with health regulations in any of the above kitchens, according to spokesman Michael McCarthy.

Hyatt voluntarily suspended, with pay, 39 workers who helped prepare or serve the dinner suspected of causing the problems until investigators trace the origin of the salmonella. The type of salmonella identified is commonly found in raw eggs and chicken, both of which were used in the Hyatt dinner.

Hardee's mulls offers for Atlanta units

ROCKY MOUNT, N.C. — Hardee's Food Systems is mulling unsolicited offers for most of the 80 restaurants it owns and operates in the Atlanta metropolitan area.

Three different parties that were interested in acquiring the units approached the nation's third-largest hamburger chain, but it isn't close to striking a deal, according to public affairs vice president John Merritt. The restaurants represent about one-half of the company stores operated out of Hardee's Atlanta regional office, which oversees about 650 company and franchise outlets in the Southeast.

Merritt said it was "much too premature" to discuss any realignment of Hardee's seven regional offices if any company stores were to be sold, but he noted the company is actively seeking to increase franchising in the region. He added that the acquisition of Roy Rogers earlier this year left Hardee's with a higher ratio of company to franchised stores than it usually maintains.

Pizza Uno Momento owners overhaul

ARLINGTON HEIGHTS, Ill. — Pizza Concepts Inc., which was one of the latest companies to offer no-wait, one-minute pizza when it launched Pizza Uno Momento in a local mall a few months ago, has overhauled the concept and changed the name to This is it! Pizza.

But some of the events surrounding the name change are in dispute.

Ed Buice, general counsel at Pizzeria Uno, the nationwide pizzeria chain based in West Roxbury, Mass., said Pizza Concepts changed the name "as a direct result of our challenge" of the use of the Pizza Uno Momento name as a trademark infringement.

But Frank Bloom, Pizza Concepts executive vice president, denied the link and said the new name was part of a concept overhaul that scrapped the system of serving prebaked pizzas in one minute for a more conventional system of scratch-made pizzas served in seven to eight minutes.

"Now we do it from scratch, and it tastes better," he said.

Little Caesars promotes seasoned pizza crust

DETROIT — Little Caesars is offering four seasoned pizza crusts as a limited promotion.

The crusts are an option with the order of two medium pizzas with eight toppings for $8.88. Flavors are sesame seed, poppy seed, garlic butter and Parmesan cheese. The crusts may be ordered with any combination of the four ingredient additions.

The company said it has not decided whether any of the crusts will be added to the regular menu after the promotion is concluded.

Holiday Inns unveils express concept

MEMPHIS — Holiday Inn Worldwide has launched Holiday Inn Express, a no-frills upper-economy concept focusing on rapid check-in and checkout.

Separately, the company has laid off 40 employees from its Memphis administrative offices as part of a restructuring to decentralize some operations. The company employs about 2,000 people in Memphis, said spokeswoman Dorothy Hayes.

Holiday Inn Express hotels offer stand-alone breakfast and standard rooms but do not include restaurants, lounges or room service. "It is basically a streamlined version of a Holiday Inn," Hayes said.

Beginning single-occupancy room rates for Holiday Inn Express range from $45 per night at Abilene, Texas, to $65 per night in Poughkeepsie, N.Y. The company's third express hotel is in Nashville, Tenn.

Industry fights to renew TJTC

by Peter Romeo

WASHINGTON — Foodservice lobbyists have plunged into the melee on Capitol Hill in an attempt to tack a renewal of the Targeted Jobs Tax Credit onto any budget agreement that emerges.

The industry's forces are also combatting proposals to increase the excise taxes on beer, wine and spirits.

Although the industry expected a rise in federal alcohol taxes, Congress' apathy about maintaining the TJTC was "somewhat of a surprise because it's a popular program," said Ann Curtis, a National Restaurant Association spokeswoman.

The TJTC provided employers with a sizable tax write-off as a reward for hiring disadvantaged workers, including the disabled. Businesses were permitted to deduct 40 percent of the first $6,000 of a qualifying employee's wages.

The TJTC expired on Sept. 30. An extension was not included in the budget agreement that was hammered out by congressional leaders and the White House.

That proposal was subsequently killed by the House of Representatives, forcing lawmakers to reconsider alternatives. The turn of events gave lobbyists another opportunity to convince lawmakers to reinstate the credit.

If the TJTC is not reinstated, "it'll cost us $1 million," Norman Brinker, chairman of Chili's, noted during the Multi-Unit Food Service Operators Conference in Los Angeles.

Hardee's president William Prather indicated that failure to renew the tax break would cost his chain $3 million.

The budget proposal that emerged from the White House-Congress summit called for a $2.64 increase in the taxes on a case of wine, $3.60 on a case of liquor and 64 cents on a case of beer.

FINANCIAL NEWS

Soft family division lowers Morrison's 1st qtr. profits

by Bill Carlino

MOBILE, Ala. — Bruised by heavy discounting to stem customer erosion in its family dining division, Morrison Inc. reported a 19-percent dip in net income, to $5 million, for the first quarter ended Sept. 1.

However, a 30-percent increase in sales from its specialty-restaurant division boosted first-quarter revenues 9 percent from the figure for the year-ago period, to $227 million.

The first-quarter results mirrored the cafeteria and casual restaurant operator's performance during fiscal 1990.

For the year ended June 2, Morrison's net income plunged 28 percent, to $23 million. A year-long downturn in sales at the company's cafeterias caused a 1-percent slide in the family dining division, with revenues off 1 percent, to $312.3 million.

However, buoyed by a 28-percent leap in specialty-restaurant division revenues, to $216 million, and an 8-percent uptick in revenues, to $372 million, from its non-commercial feeding arm, Morrison's Custom Management, the company's revenues rose 9 percent, to $900.4 million.

Morrison attributed the profit declines to lower cafeteria customer counts and expenses for employee fringe benefits, workers compensation and lower-than-expected proceeds from the sale of real estate and assets for previously shuttered units.

The company also incurred a $4 million charge against operations for a reacquisition of the Admiral Benbow Inn in Tampa, Fla.

In an attempt to end the year-long customer drought in its cafeterias, Morrison began a flurry of promotional activity about eight months ago, including discounting, coupoing and new and repeat customer programs.

MORRISON

> "Cafeteria competition, especially in the South is very tough." — Stouffer

Analysts said the promotional frenzy weighed heavily in the family division's margin tailspin. Cafeteria margins, which were running at 8.4 percent as recently as May 1989, are currently somewhat more than 4 percent.

In a first-quarter divisional breakdown, net income for the family segment, which consists of about 175 cafeterias scattered throughout the Southeast, dropped 24 percent, to $3.2 million, on flat revenues of $78 million.

Yet, buoyed by the opening-quarter sales upticks in its specialty restaurants — which include L & N Seafood Grill, Ruby Tuesday and L & N Seafood — and small increases in cafeteria store volumes during the past three months, Morrison remains optimistic about its ability to rebound.

"I feel we're beginning to see some positive changes with our cafeterias," said Richard McGeoch, a ranking spokesman for Morrison. "We've seen an increase in customer levels, and we're starting to back off the heavy promotions because that detracts from the bottom line."

During June, July and August, customer levels in the family-dining division increased 1.2 percent, 2.2 percent and 4.7 percent, respectively.

To broaden its appeal, the division also rolled out a pair of new dinner salads, chicken and seafood, each retailing for about $3.29.

Industry analysts said segment competition and the proliferation of food bars in family restaurants has hurt traffic at Morrison's cafeterias.

"Cafeteria competition, especially in the South, is very tough," explained Barry Stouffer, who tracks Morrison's for Nashville, Tenn.-based J.C. Bradford & Co. "In Florida, where the company has about one-third of its cafeterias, it has lost a lot of business to buffet operations, while most regional midscale steak houses like Ryan's feature all-you-can-eat bars."

"[Morrison's] earnings have been disappointing because of lower operating income in the cafeterias," said James Ruf, an analyst with Wertheim Schroder, New York. "It's a very tough segment."

McGeoch noted that during the first quarter, specialty restaurant results were boosted by the addition of nine new restaurants to the system — seven units of Ruby Tuesday and two L & N Seafood restaurants. He said the company plans to open 44 specialty restaurants during fiscal 1991.

FOOD PRICE OUTLOOK

Peanut crop estimates lowered

by Patt Patterson

If you use **peanuts** at your bar, you're going to find prices moving up rapidly. Some processors already are quoting prices as much as 50 percent higher than last year's. The Southeastern peanut crop has been hit by hot, dry weather and lots of insects. The U.S. Department of Agriculture is forecasting production at about 3.5 billion pounds, the lowest crop estimate since 1980, when a severe drought reduced the crop to 2.3 billion pounds. Back then the federal government lifted import restriction to make up the shortfall in part. One difference this year is that carryover stocks seem higher than back then.

Dried bean production, on the other hand, is up about 30 percent from the figure for last year, and prices on some varieties have already fallen as much as 40 percent. To put a further push on prices, Mexico buyers are said to be canceling orders already placed, because that country had a good crop this year, too. **Pinto beans,** which had been in the $30s last year, are already down to the $18 or $19 range.

Both imported and domestic **canned hams** are still moving up in price. Poland, last year's leader in imported hams, has just boosted prices again on smaller shipments. Denmark, formerly a close No. 2, has now taken over the leadership, with more than twice the number of tons of ham shipped here this year compared with the amount for Poland. A number of other countries outside Eastern Europe are boosting their exports to us, but overall through July there were about 11 percent less hams imported than in 1989.

Although **Brazilian lobster tails** are still priced well below cold-water tails, the price is rising, with hikes of 15 cents a pound posted. The **canned pink salmon** pack is far better than earlier forecast. Prices should move downward on larger stocks than have been anticipated. **Chum,** on the other hand, is in shorter supply than normal, with prices firming.

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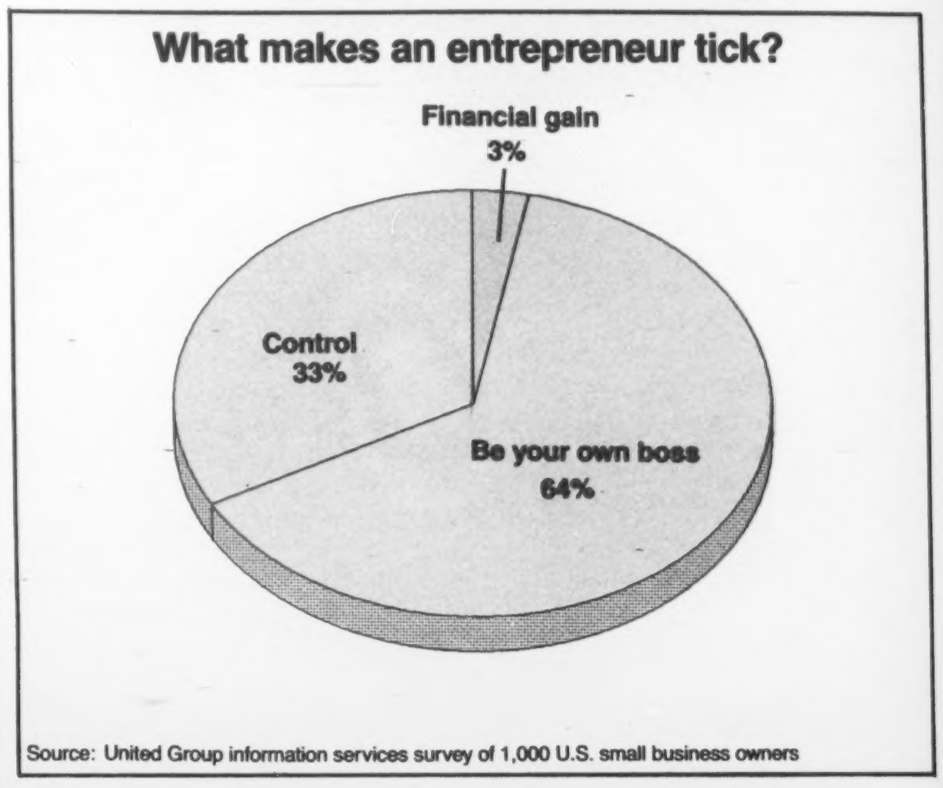

Source: United Group information services survey of 1,000 U.S. small business owners

FINANCIAL DIGEST

Southland to divest property holdings

DALLAS — Southland Corp., operator and franchisor of the 7-Eleven convenience store chain, says it will sell 140 acres of land located near its headquarters here.

In a filing with the Securities and Exchange Commission, Southland reportedly intends to receive nearly $20 million for the acreage. Southland acquired the property in the early 1980s with the intention of utilizing the parcel as a development space for apartment buildings, retail shops and office buildings.

Two Pesos projects earnings increase

HOUSTON — Two Pesos Inc., operator of 24 quick-service Mexican restaurants, expects profits for the second quarter, ended Sept. 30, to be about $600,000, or seven cents a share on sales of $9.6 million, compared with a loss of $653,000 on sales of $11.1 million for the year-ago period.

Company officials attributed the profits increase to shuttering four underperforming units, a $660,000 write-down on assets taken during the second period last year and the renegotiation of supplier and purchasing contracts.

Trump steals Bollenbach from Promus

NEW YORK — The Trump Organization, owner of Trump Plaza Casino, Trump Castle and the Taj Mahal in Atlantic City, has named Stephen F. Bollenbach chief financial officer.

Before assuming his new position, Bollenbach was senior vice president and chief financial officer of The Promus Cos. Inc., a hotel conglomerate that owns and operates Harrah's casino and hotels, Embassy Suites, Hampton Inns and Homewood Suites.

Promus has named Charles A. Ledsinger Jr. former vice president and treasurer of the Memphis, Tenn.-based hospitality concern, replacing Bollenbach as senior vice president and chief financial officer. Ledsinger retains his treasurer responsibilities in his new position.

Added units hike Cucos' year-end profits

NEW ORLEANS — Cucos Inc. said fourth-quarter net income increased 16 percent, to $15,551 million, on a 19-percent hike in revenues, to $3 million.

Citing the addition of seven restaurants to the system during fiscal 1990, Cucos Inc. said revenues for the year ended July 1 were up 8 percent, to $13.6 million, while net income jumped 27 percent, to $180,383.

The company, which operates and franchises 30 Sonoran-style Mexican restaurants in the Southeast, said comparable restaurant sales rose 3.6 percent during the year, vs. a 3.2-percent same-store sales increase in the prior year.

Chili's net income jumps 36% for year

DALLAS — Chili's Inc., operator of Chili's, Regas Grill and Romano's Macaroni Grill, reported a 36-percent rise in net income, to $18.9 million, for the fiscal year ended June 30.

Revenues for the year were up 21 percent, to $347.1 million.

For the fourth quarter, profits rose 18 percent, to $5.6 million, from the year-ago period, on a 22-percent jump in revenues, to $95.7 million.

Results for the fourth quarter and year were restated to reflect the acquisition of Regas Grill, which is the new operating name of restaurants developed by Grady's Inc. and Romano's Macaroni Grill Inc.